

Chapter 308

COMPLIANCE

Introduction

During each examination, examiners will review the corporate credit union's (corporate) compliance with regulations promulgated by NCUA and other agencies. Violation of the laws, statutes, regulations, and sound business practices must be disclosed in the examination report and on OCCU Form 102F, the Document of Resolution.

In this chapter, various Part 704 compliance issues are referenced. More specific information can be obtained in the applicable chapters, as noted with the specific reference. Where there is no specific chapter for a compliance issue, the items are discussed herein.

Section 704.3 - Corporate Credit Union Capital

See Chapter 204, Capital and Appendix A to Part 704—Model Forms.

Section 704.4 - Board Responsibilities

See Chapter 301, Management.

Section 704.5 - Investments

See Chapter 201, Investments and Appendix B to Part 704- Expanded Authorities and Requirements.

Section 704.6 - Credit Risk Management

See Chapters 201, Investments, and 202 Asset and Liability Management.

Section 704.7 - Lending

See Chapter 203, Loan Review.

Section 704.8 - Asset and Liability Management

See Chapter 202, Asset and Liability Management.

Section 704.9 - Liquidity Management

See Chapter 202, Asset and Liability Management.

704.10—Investment Action Plan

See Chapter 201, Investments.

704.11--Corporate Credit Union Service Organizations (CUSOs)

See Chapter 311, Corporate Credit Union Service Organizations.

704.14—Representation

Each examiner must ensure that the board of directors is in compliance with all phases of this section which addresses interlocks, representatives of organizational members, recusal provisions, and administration.

704.15-- Audit Requirements

See Chapter 309, Supervisory Committee/Audit Functions.

704.16 Contracts/Written Agreements

See Chapter 301, Management.

704.18 Fidelity Bond and Insurance Coverage

See Chapter 310, Bond and Insurance Coverage.

704.19-- Wholesale Corporate Credit Unions

Wholesale corporates are subject to all sections of Part 704, except for in this section it is subject to a different determination of earnings retention factor and threshold for notification of the board of directors, supervisory committee, and the OCCU Director.

Charter and Bylaws

Examiners will review the corporate's charter and bylaws to determine if the corporate is operating within its limitations.

Operating Fees

Examiners must ensure that each Federal corporate is in compliance with Section 701.6. This section states that each year or as otherwise directed by the NCUA Board, each Federal credit union shall pay to the Administration for the current NCUA fiscal year (January 1 to December 31) an operating fee. This fee will be in accordance with the schedule fixed from time to time by the NCUA Board, based on the total assets of each Federal credit union as of December 31 of the preceding year, or otherwise determined pursuant to paragraph (b) of this section.

Share Insurance

During each examination of a federally insured corporate, examiners must review the National Credit Union Share Insurance Fund (NCUSIF) account for accuracy. Errors detected must be documented in the examination report along with corrective actions taken.

Security Devices

Part 748 establishes minimum security standards and procedures for credit unions. The examiner should determine that the corporate has (1) established adequate security programs in accordance with the regulation, and (2) updates the program to reflect operational changes.

Corporate credit union management must provide adequate safeguards to:

1. Protect the credit union from robberies, burglaries, larcenies, and embezzlement;
2. Protect the credit union from theft of data and disclosure of confidential member information;
3. Assist in identification of persons who commit or attempt such actions and crimes; and
4. Prevent destruction of vital records (as defined by Part 749 of the NCUA Rules and Regulations).

The corporate's security program must include administrative, technical, and physical safeguards appropriate to the size and complexity of the institution and the nature and scope of its activities. At a minimum, corporate management should design and implement a comprehensive written security program to:

1. Identify key controls, systems, and procedures;
2. Assess internal and external threats;
3. Assign responsibilities;
4. Establish security procedures consistent with operating systems;
5. Provide for periodic training of all employees;
6. Protect against destruction, loss, or damage of information, and develop recovery procedures;
7. Ensure periodic testing of security programs;
8. Re-assess threats and the adequacy of controls;
9. Review monitoring systems and control procedures; and
10. Revise strategies.

Examiners will evaluate management's efforts to identify, assess, measure, mitigate, and monitor risks.

Examination Objectives

The objectives for reviewing the compliance area are:

1. Determine that the corporate's policies, procedures, practices, and internal controls of all aspects of compliance not specifically covered by other chapters of this Guide are reviewed to determine the risks associated with those activities;
2. Determine that all reports required of corporates are filed accurately and timely;

3. Determine that the National Credit Union Share Insurance Fund and NCUA operating fees, where applicable, are accurate and paid on time; and
4. Initiate corrective action when the policies, procedures, practices, or controls are deficient or when violations of laws or regulations are noted.

Examination Procedures

See Corporate Examination Procedures - Compliance (OCCU 308P).

Examination Questionnaire

See Corporate Examination Questionnaire - Compliance (OCCU 308Q).

References

1. NCUA Rules and Regulations, Part 704
2. NCUA Rules and Regulations, Section 701.6
3. NCUA Rules and Regulations, Part 748
4. NCUA Website/Reference Information/Letters to Federal Credit Unions and Letters to Federally Insured Credit Unions
5. Chapter 18 (Regulatory Compliance) of the natural person credit union Examiner's Guide
6. Appendix 18A (Bank Secrecy Act) of the natural person credit union Examiner's Guide
7. Corporate Credit Union Guidance Letter No. 2004-02, June 2004, BSA Compliance Guidance